



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.09

Required Report - public distribution

Date: 11/30/2005

GAIN Report Number: CI5030

Chile

Avocado

Annual

2005

Approved by:

Christine M Sloop, Agricultural Attaché
Office of Agricultural Affairs

Prepared by:

Luis Hennicke, Agricultural Specialist

Report Highlights:

Output and exports of avocados are expected to increase this year, as a result of more planted area coming into production together with good weather and strong export demand.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Unscheduled Report
Santiago [CI1]
[CI]

Table of Contents

Executive Summary	3
Production	3
Consumption.....	3
Table – Chile: Avocado Planted Area, Production and Exports.....	4
Trade.....	4
Policy	5
Market Development	5
PSD Table	5
Export Trade Matrix.....	6

Executive Summary

Chilean avocado production will continue to increase in the coming years as there is still a large number of orchards entering their most productive stage. Although the total area planted to avocados has increased significantly during the last few years, industry sources indicate that the rate of increase in planted area is expected to level off in the near future. The increase in dedicated land use to avocados is principally the result of excellent gains made in export markets in the past. But as prices are falling together with an expected increase in competition from Mexico in key export markets like the US, a slowdown in the planting expansion will occur.

Production

For MY2004 (Jan-Dec 2005) a smaller than previously estimated avocado production but slightly larger than last year's output is expected as a large number of avocados orchards were affected by alternate bearing volumes, that is, after the high production last year a much lower production resulted this year. Although it is early to predict MY2005 (Jan-Dec 2006), further expansion in production is expected as the planted area, which has grown significantly over the last few years as a result of excellent returns, comes into production. Weather also has been favorable during flowering in most producing areas. Future increases in planted area will be mainly in Hass varieties for the export market. Avocado production is sensitive to climatic conditions, particularly to low temperatures during flowering and temperature changes. Weather largely accounted for production variations in the past.

Most Chilean avocados are produced in arid regions with little rain, except during the winter months, consequently most orchards are frequently free of pests and spraying is not necessary. Production area has expanded over 1,200 hectares per year during the last 4 years. Increases in planted land have been almost exclusively devoted to the Hass variety, which represents 75 percent of total production.

According to the Chilean avocado commission, total area planted to avocados is not expected to keep expanding as in the past, as prices for avocados have been falling significantly after many years of high prices. Export prices have fallen from US\$1.22 per Kg to US\$0.85 per Kg during the first 10 months of 2005. Additionally, the strong demand observed in the past in Chile's most important market, the United States, is expected to fall significantly once Mexican avocados gain access to all 50 States. Mexican avocados enter the US duty free.

A little over 98 percent of all Chilean commercial avocado trees are planted in the central area of the country - from Region IV through Region VI. The predominant areas are Region V (Quillota, Aconcagua Valley and La Ligua, Petorca) with 61 percent of the total and the Metropolitan Region with 21 percent of the total. The largest expansion in planting during the last few years has been in Region V, followed by the Metropolitan Region and Region IV. Although almost all of the expansion has been dedicated to the Hass variety, there are over 20 other varieties planted.

Consumption

Despite the recent increases in consumption, per capita domestic use is still considered to be fairly low for a producing country – around 3.5 Kg. per person. To increase domestic consumption, the Chilean avocado producers association has launched a promotional

campaign that focuses on a nutrition and health message. The promotional campaign will go from October 1, 2005 through January 31, 2006 with an estimated cost of US\$ 410, 000. It consists of ads on the street, newspapers, magazines, radio and TV campaign and in-store promotion in 40 supermarkets. An estimated 65 to 75 percent of production is normally exported, leaving the domestic market currently with approximately 52,000 MT.

Table – Chile: Avocado Planted Area, Production and Exports			
Years	Planted Area (Ha)	Production (MT)	Exports (MT)
1973	4,490	14,500	-
1980	6,180	25,000	12
1985	7,605	28,900	1,200
1990	8,315	38,800	11,557
1995	11,560	48,000	12,000
1999	19,800	80,550	34,788
2000	21,202	95,000	52,049
2001	21,800	98,000	52,492
2002	22,900	129,000	78,071
2003	23,300	148,000	97,646
2004	24,500	170,000	113,508
2005	24,900	177,000	120,000 1/
2006	25,200	190,000	132,000 2/
Note: 1/	Estimate		
2/	Forecasts		
Source: Ministry of Agriculture. Central Bank			

Trade

The US market received 89 percent of Chile's total avocado exports in 2004. However exports to the EU, mainly Spain, Netherlands and the United Kingdom increased significantly. Although export volumes to the EU countries combined do not exceed 10 percent, they almost tripled in 2004 when compared to the previous year. A bigger industry effort to diversify their markets, together with a strong Euro, contributed in increasing exports to the other destinations, in 2005.

As a result of the US-Chile FTA, Chile obtained a duty free quota of 49,000 M.T. beginning with CY2004, this quota will increase 5 percent yearly over the next 12 years until the quota is eliminated and Chilean avocados enter the US duty free.

Chilean avocado exports are highly dependent on the U.S. market. The California Avocado Commission's promotional campaign will continue this year, which is financed through the Check Off program. The budgeted amount for 2004-05 was approximately 4.7 million dollars.

Additionally, the Chilean Avocado Commission started a campaign last May in Europe, performing market studies in the United Kingdom and Spain and a public relations campaign in the UK that included bringing a group of United Kingdom editors of magazines and newspapers to Chile. The total estimated cost for this activity was US\$500,000.

Policy

The Chilean Government has no subsidy or special tax incentives for avocado production or exports. Imports are charged a 6 percent uniform duty rate. There is a proposed law, called "Law for the Recovery and Promotion of the Native Forest", which has been sitting in Congress since 1992 that could affect future expansion of avocado plantings if approved. The proposed law also calls for preservation of the hillsides that will restrict replacements of native trees and bushes to fruit plantings. Most of the new plantings during the last three years have been in hillsides, as these present an advantage over flatland in relation to frosts. The bill has gone through lengthy discussions and still has not been approved, mainly due to differing views among the various government agencies involved.

Market Development

Although avocados from California State and Mexico can enter the Chilean market, this country's rather large, year-around avocado production and low domestic prices tend to discourage commercial imports for all but a few months during the marketing year.

PSD Table							
Country	Chile						
Commodity	Avocados, Fresh				(HECTARES)(1000 TREES)(MT)		
	2003	Revised	2004	Estimate	2005	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2004		01/2005		01/2006	MM/YYYY
Area Planted	24500	24500	24900	24900	0	25200	(HECTARES)
Area Harvested	20700	20700	20900	20900	0	21050	(HECTARES)
Bearing Trees	8591	6750	8673	6820	0	6862	(1000 TREES)
Non-Bearing Trees	1577	1240	1660	1304	0	1354	(1000 TREES)
TOTAL No. Of Trees	10168	7990	10333	8124	0	8216	(1000 TREES)
Production	170000	170000	200000	177000	0	190000	(MT)
Imports	0	0	0	0	0	0	(MT)
TOTAL SUPPLY	170000	170000	200000	177000	0	190000	(MT)
Exports	118500	113508	136200	120000	0	132000	(MT)
Fresh Dom. Consumption	51500	56492	63800	57000	0	58000	(MT)
Processing Consumption	0	0	0	0	0	0	(MT)
TOTAL DISTRIBUTION	170000	170000	200000	177000	0	190000	(MT)

Export Trade Matrix			
Country	Chile		
Commodity	Avocados, Fresh		
Time Period	Jan- Dec	Units:	M.T.
Exports for:	2004		2005
U.S.	100990	U.S.	86202
Others		Others	
U.K.	3570	Spain	3335
Netherlands	2924	Netherlands	2683
France	2403	U.K.	3307
Spain	2121	France	1500
Argentina	993	Argentina	958
Japan	469	Japan	250
Denmark	59	Sweden	188
Canada	35	Denmark	65
Sweden	21		
Brazil	4		
Total for Others	12599		12286
Others not Listed	3		0
Grand Total	113592		98488
Note: Year 2005 data are for January through October only			